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To: Senate Committee on Financial Institutions and Insurance

From: Caryn Tyson

Date: March 13, 2025

RE: Senate Bill (SB) 282 Proponent

Thank you, Chairman Dietrich and honorable committee members, for the opportunity to support SB 282 creating Kansas Retirement Investment Savings Plan (KRIPS), a defined contribution plan, and allows Kansas Public Employees Retirement System (KPERS), a defined benefit plan, participants and new employees an opportunity to convert to KRISP.

KRISP would allow employees to select a plan that best suits their financial goals and retirement needs. It would provide employees with more control over their investments. It allows employees to withdraw or roll over their contributions and interest if they leave employment before retirement. It is more sustainable and will not add to KPERS' unfunded actuarial liability (UAL). KRISP would start July 1, 2027, allowing ample time to implement the new system.

KRIPS portability, flexibility, ROTH option, and individual control over investments allow for individual custom options that best suit the employee.

KRISP is modeled after the federal Thrift Savings Plan (TSP). TSP is successful in providing federal employees and members of the uniformed services with a reliable and effective retirement savings option. TSP has high participation rates among eligible employees, indicating its popularity and trust among federal workers. It offers a variety of investment options, including individual funds and lifecycle funds, which cater to different risk tolerances and retirement timelines.

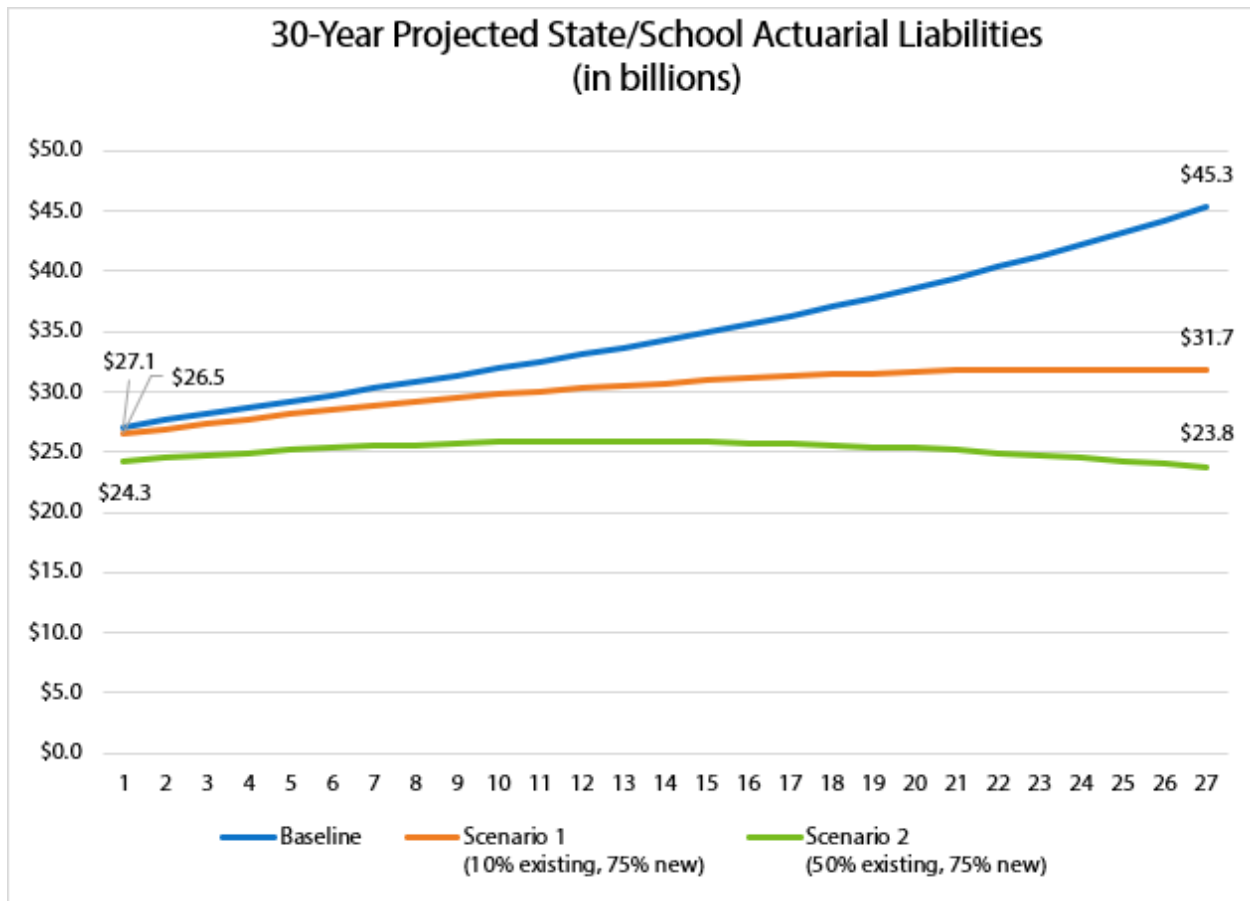
You've heard the term, "kick the can down the road". Let's not be the body that continues to kick the KPERS can. By implementing KRISP, you will create an employee option that is sustainable, provides options for employees to select a retirement plan that best suit their needs, and puts Kansas on a path to decrease KPERS unfunded liabilities. For years, there has been uncertainty with KPERS. This would not be the case with KRISP.

A quick comparison:

Feature	KPERS Defined Benefit Plan	KRISP Defined Contribution Plan
Benefit Type	Fixed, based on salary and service	Variable, based on contributions and investments
Risk	Employer	Employee
Control Over Investments	No	Yes
Roth Option	No	Yes
Loan Option	No	Yes
Flexibility to lower employee contribution requirement and employee option to increase contribution	Low	High
Example	Traditional Pension	401(k) Plan

Other states have implemented a defined contribution retirement plan and have generally followed a few key steps:

- 1) Legislation: The process typically begins with the passage of legislation that authorizes the creation of a defined contribution plan.
- 2) Plan Design: Once the legislation is in place, the state works on designing the plan. This includes determining contribution rates, investment options, and administrative procedures. SB 282 used current KPERS contribution mandates as a basis, but this could be adjusted by the Committee.
- 3) Implementation: This involves setting up the necessary infrastructure, such as creating retirement accounts for employees, establishing investment options, and developing administrative systems to manage contributions and distributions.
- 4) Communication and Education: States have focused on educating employees about the new plan. This includes providing information on how the plan works, the benefits of participating, and how to manage their retirement accounts.
- 5) Ongoing Management: Once the plan is up and running, the state is responsible for ongoing management and oversight.



KPERS provided the above graph, demonstrating the 30-year projected actuarial liabilities. As you can see on the graph, the baseline (KPERS), is on a trajectory that if not addressed, will cost taxpayers and contribute to the uncertainty of state and school employees. The KPERS UAL, which is the gap between its assets and the projected benefits it owes to members, has accumulated overtime due to factors like underfunded employer contributions in the past, poor investment decisions, and economic recessions.

While there have been efforts to address UAL, it has not solved the problem. Allowing a KRISP option, as you can see in the graph above, does address the UAL more aggressively than not implementing KRISP.

Thank you for your consideration. I ask for your support of SB 282, providing financial options for state and school employees, while stopping increases to the UAL of KPERS.

Caryn Tyson